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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA
10 WESTERN DIVISION

11 CYCLONE USA, INC.,)
12)
13 Plaintiff,) Case No. CV 03-992 AJW
14)
15 v.) MEMORANDUM OF DECISION
16) REGARDING CYCLONE USA'S
17) MOTION FOR AN AWARD OF
18) ATTORNEYS' FEES
19 LL&C DEALER SERVICES, LLC, et al.,)
20)
21 Defendant)
22)
23)
24)
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27)
28)

18 Background

19 Following a bench trial, the Court issued a Memorandum of
20 Decision setting forth its findings of fact and conclusions of law as
21 to the twenty-one claims and counterclaims brought by Cyclone USA,
22 Inc. ("Cyclone USA"), LL&C Dealer Services, LLC ("LL&C"), and Sei Kim.
23 Thirteen of the twenty-one claims at issue arose from alleged
24 violations of the Lanham Act. [See generally Memorandum of Decision].
25 Cyclone USA filed a motion for attorneys' fees based on the Court's
26 findings regarding LL&C and Sei Kim's trademark infringement,
27 counterfeiting, federal unfair competition, and trade name
28 infringement. [Cyclone USA's Motion for Attorneys' Fees ("Cyclone
USA's Motion")]. LL&C filed an opposition [LL&C's Opposition to

1 Cyclone's Motion for Attorney Fees ("LL&C's Opposition")]¹, and Cyclone
 2 USA filed a reply [Reply to LL&C's Opposition to Plaintiff's Motion
 3 for Attorney Fees ("Cyclone USA's Reply")].

4 Legal Standard

5 Cyclone USA contends that it is entitled to an award of
 6 attorneys' fees pursuant to 15 U.S.C. § 1117. [Cyclone USA's Motion,
 7 at 5-7]. Section 1117(a) provides:

8 When a violation of any right of the registrant
 9 of a mark registered in the Patent and Trademark
 10 Office, [or] a violation under section 1125(a) .

11 . . shall have been established in any civil
 12 action arising under this chapter, the plaintiff
 13 shall be entitled, . . . to recover (1)
 14 defendant's profits, (2) any damages sustained by
 15 the plaintiff, and (3) the costs of the action.

16 . . . The court in exceptional cases may award
 17 reasonable attorney fees to the prevailing party.

18 15 U.S.C. § 1117(a). Section 1117(b) further provides, that in
 19 assessing damages under subsection (a):

20 The court shall, unless the court finds
 21 extenuating circumstances, enter judgement for
 22 three times such profits or damages, whichever is
 23 greater, together with a reasonable attorney's

24
 25 ¹ Although Cyclone USA and LL&C have entered into a
 26 settlement [see Dismissal of Claims and Permanent Injunction
 27 Pursuant to Stipulation], Sei Kim joined in LL&C's Opposition [see
 28 Joinder of Sei Kim in LL&C's Opposition to Cyclone's Motion for
 Attorneys Fees], so the court will consider the arguments made by
 LL&C as if they had been made by Sei Kim.

1 fee, in the case of any violation of section
2 1114(1)(a) or this title . . . that consists of
3 intentionally using a mark or designation,
4 knowing such mark or designation is a counterfeit
5 mark . . . in connection with the sale, offering
6 for sale, or distribution of goods or services.
7 15 U.S.C. § 1117(b).

8 The Court found that LL&C and Sei Kim violated Cyclone USA's
9 rights under the Lanham Act. [Memorandum of Decision, at 4-31, 49-56].
10 The Court may award Cyclone USA attorneys' fees it incurred in
11 litigating LL&C's and Sei Kim's infringement of the Tornado trademark,
12 the two valid slogan trademarks ("Don't Drive Without It!" and "Under
13 the Hood!"), and Cyclone USA's unregistered trade name ("Tornado Air
14 Management Systems"), as well as LL&C's and Sei Kim's federal unfair
15 competition under section 11125(a), if the Court finds that this is an
16 "exceptional" case. See 15 U.S.C. § 1117(a). Further, Cyclone USA is
17 entitled to the attorneys' fees it incurred in litigating its
18 counterfeiting claims against LL&C and Sei Kim unless the Court finds
19 "extenuating circumstances" that would preclude such an award. 15
20 U.S.C. § 1117(b).

21 Discussion

22 1. Prevailing Party

23 LL&C argues that Cyclone USA was not a "prevailing party".
24 [LL&C's Opposition, at 1-2]. In support of its argument, LL&C cites
25 California cases interpreting the "prevailing party" requirement in
26 the context of state law claims. [LL&C's Opposition at 1-3]. However,
27 "[t]he extent of [a] plaintiff's rights under the Lanham Act is a
28 matter of Federal law." Goodyear Tire & Rubber Co. v. H. Rosenthal

Co., 246 F. Supp. 724, 725 n.1 (D. Minn. 1965) (citing L'Aiglon Apparel, Inc. v. Lana Lobell, Inc., 214 F.2d 649 (3d Cir. 1954)). In the context of trademark infringement, the prevailing party for purposes of section 1117(a) "is the party succeeding on a significant litigated issue that achieves some of the benefits sought by that party in initiating the suit." Montgomery v. Noga, 168 F.3d 1282, 1304-05 (11th Cir. 1999) (holding that a plaintiff who successfully obtained an injunction and nominal damages on its Lanham Act claim was a "prevailing party" for purposes of section 1117(a)) (internal quotations omitted). See also Audi AG v. D'Amato, 469 F.3d 534, 550-51 (6th Cir. 2006) (holding that a plaintiff who successfully obtained injunctive relief for trademark infringement was a "prevailing party" within the meaning of section 1117(a)). Here, the Court permanently enjoined LL&C and Sei Kim from further use of the Tornado trademark and the valid slogan trademarks [Dismissal of Claims and Permanent Injunction Pursuant to Stipulation; Permanent Injunction], and also determined that Cyclone USA was entitled to an award of LL&C's profits. [Memorandum of Decision, at 22-23, 53; October 28, 2009 Order]. Therefore, Cyclone USA is a prevailing party for purposes of section 1117(a).

2. Exceptional Case Requirement of Section 1117(a)

Whether Cyclone USA may be awarded attorneys' fees under section 1117(a) turns on whether LL&C's and Sei Kim's conduct constituted an "exceptional case" of trademark infringement. "While the term 'exceptional' is not defined in the statute, attorneys' fees are available in infringement cases where the acts of infringement can be characterized as malicious, fraudulent, deliberate, or willful." Derek Andrew, Inc. v. Poof Apparel Corp., 528 F.3d 696, 702 (9th Cir. 2008)

(quoting Rio Props., Inc. v. Rio Int'l Interlink, 284 F.3d 1007, 1023 (9th Cir. 2002)). See also Earthquake Sound Corp. v. Bumper Indus., 352 F.3d 1210, 1216 (9th Cir. 2003) ("A trademark case is exceptional where the district court finds that the defendant acted maliciously, fraudulently, deliberately, or willfully."). Further, "[w]illfulness short of bad faith or fraud will suffice when equitable considerations justify an award and the district court supportably finds the case exceptional." Tamko Roofing Products, Inc. v. Ideal Roofing Co., Ltd., 282 F.3d 23, 32 (1st Cir. 2002); Earthquake Sound Corp., 352 F.3d at 1217 (rejecting the notion that exceptionality requires egregious culpability such as bad faith or fraud, and stating that "while a finding that the losing party has acted in bad faith may provide evidence that the case is exceptional, other exceptional circumstances may warrant a fee award") (citations omitted).

In evaluating Cyclone USA's trademark infringement claims, the Court determined that the infringement was willful. With respect to LL&C, the Court found that LL&C continued to infringe the Tornado trademark

even though it understood that [its actions] were forbidden by the contract between LL&C and Cyclone USA [RT 471, 505, 1323], despite Cyclone USA's demands that it stop [Ex.117; RT 178-80], notwithstanding the provision in the contract between LL&C and Sei Kim drawing LL&C's attention to Cyclone USA's registration and ownership of the Tornado trademark . . . , and despite Sei Kim's urging that LL&C use a different trademark in advertising and selling devices supplied by

1 him. [RT 151-52, 1444].

2 [Memorandum of Decision, at 7-8]. Remarkably, LL&C even fraudulently
3 attempted to register the term TornadoFuelSaver, "which it knew
4 perfectly well that it did not own, but falsely represented that it
5 did. [Ex. 221; RT 467-71]." [Memorandum of Decision, at 21]. The
6 Court also found that Sei Kim had knowingly and willfully infringed
7 the Tornado trademark. Specifically, the Court noted that:

8 Sei Kim also knew, or reasonably should have
9 known that LL&C was engaging in trademark
10 infringement. By the time he entered into the
11 contract with LL&C, Sei Kim knew that Cyclone USA
12 had registered the Tornado trademark in its own
13 name. [Ex. 119, § 6.1; RT 143-44, 147, 1436].

14 Sei Kim also knew that LL&C intended to market
15 his devices using Cyclone USA's Tornado trademark
16 or confusingly similar variations thereof, such
17 as TornadoFuelSaver. Despite his knowledge of
18 LL&C's wrongful conduct, Sei Kim continued to
19 supply devices to LL&C. [RT 1425]. Sei Kim even
20 stamped some of the devices he supplied to LL&C
21 with the Tornado trademark himself. [RT 1424].

22 That makes him a direct, rather than merely a
23 contributory, infringer and counterfeiter.

24 [Memorandum of Decision, at 50-51].

25 LL&C and Sei Kim used the infringing marks in selling the same
26 type of product to the same category of customers, causing widespread
27 customer confusion and wrongfully appropriating sales that otherwise
28 would have been made by Cyclone USA. [Memorandum of Decision, at 7-

10]. And they did so to capitalize on the goodwill of Cyclone USA and to shirk the expense of taking steps to avoid infringement. [Memorandum of Decision, at 8-9].

The facts of this case are similar to those in Earthquake Sound Corp., in which the Ninth Circuit affirmed award of attorneys' fees under section 1117(a). There, the court found that exceptional circumstances existed where the defendant continued its use of the trademark "Carquake" for car audio products despite having received multiple cease and desist letters with respect to plaintiff's "Earthquake" trademark for the same products. Earthquake Sound Corp., 352 F.3d at 1213-14. As the Ninth Circuit concluded: "The total picture in this case is one of deliberate, willful infringement, and the district court did not err in awarding Earthquake its attorney's fees." Earthquake Sound Corp., 352 F.3d at 1219.

Because LL&C and Sei Kim engaged in egregious, willful, and deliberate infringement of the Tornado trademark, this is an exceptional case and Cyclone USA is entitled to an award of attorneys' fees under section 1117(a).²

3. Extenuating Circumstances Under § 1117(b)

Cyclone USA also contends that it is entitled to attorneys' fees under section 1117(b). LL&C responds that there are extenuating circumstances mitigating against such an award. [LL&C's Opposition at

² LL&C's reliance on Competition Specialities, Inc. v. Competition Specialities, Inc., 87 Fed. Appx. 38 (9th Cir. 2004) is misplaced. That case "may not be cited to the courts of this circuit...." See U.S. Ct. of App. 9th Cir. R. 36-3.

1 7-9].

2 Courts have construed the extenuating circumstances exception
3 narrowly. See Levi Strauss & Co. v. Shilon, 121 F.3d 1309, 1314 (9th
4 Cir. 1997) ("The phrase 'extenuating circumstances' is not defined in
5 the Lanham Act. However, the exception is extremely narrow."). See
6 also Louis Vitton S.A. v. Lee, 875 F.2d 584, 588 (7th Cir. 1989)
7 ("Section 1117(b) is a severe statute. The trebling of the plaintiff's
8 damages or the defendant's profits - whichever is greater - is
9 mandatory ..., subject only to the statute's exception for
10 'extenuating circumstances,' which as we shall see is extremely
11 narrow.").

12 The legislative history of section 1117(b) also suggests that the
13 exception should be applied sparingly, and only in "highly unusual"
14 instances, such as "when the defendant is an unsophisticated
15 individual, operating on a small scale, whose conduct posed no risk to
16 the public's health or safety, and for whom the imposition of treble
17 damages would mean that he or she would be unable to support his or
18 her family." Joint Statement, 130 Cong. Rec. at H12083.

19 Extenuating circumstances plainly are not present in this case.
20 Both LL&C and Sei Kim operated sophisticated business on a large
21 scale. Moreover, to the extent that LL&C's argument is based on its
22 weak financial condition [LL&C's Opposition at 9], that argument is
23 not relevant to the award of attorneys' fees against Sei Kim.
24 Finally, Sei Kim has not presented evidence that his financial
25 condition is so weak as to make an award of attorneys' fees unjust.

26 LL&C contends that Cyclone USA had unclean hands or that LL&C
27 somehow acted in good faith. [LL&C's Opposition, at 7-8]. While
28 Cyclone USA's conduct was not exemplary in all respects, the Court

1 already has rejected LL&C's unclean hands defense, partly because any
2 misconduct by Cyclone USA was dwarfed by the willful infringement,
3 counterfeiting, and unfair competition committed by LL&C and Sei Kim,
4 both of whom deliberately choose to cash in on Cyclone USA's goodwill.
5 [Memorandum of Decision, at 13-14, 52].

6 Therefore, there are no extenuating circumstances that would
7 preclude an award of reasonable attorneys' fees under section 1117(b).

8 **4. Ropers, Majeski, Kohn & Bentley**

9 LL&C contends that Cyclone USA should be not be entitled to any
10 of the attorneys' fees incurred by Ropers, Majeski, Kohn & Bentley,
11 since the firm was retained by Cyclone USA to defend against the
12 counterclaims filed by LL&C, KIDC, and Sei Kim, rather than to pursue
13 Cyclone USA's own claims. [LL&C's Opposition, at 9]. However, Cyclone
14 USA prevailed on LL&C's counterclaim for judicial cancellation under
15 15 U.S.C. § 1064(3) as to the Tornado trademark and two of the three
16 disputed slogan trademarks. [See Memorandum of Decision, at 60-81].
17 Therefore, the issue is whether Cyclone USA is entitled to its
18 attorneys' fees as the prevailing defendant on LL&C's judicial
19 cancellation counterclaim as to those marks.

20 The circuits are divided on the issue of whether to apply
21 differing standards to prevailing plaintiffs and prevailing defendants
22 in trademark infringement cases. See 5 J. Thomas McCarthy, Trademarks
23 and Unfair Competition § 30:101 (4th ed. 2008). The Ninth Circuit has
24 held that attorneys' fees in trademark cases must be awarded pursuant
25 to an evenhanded standard. Stephen W. Boney, Inc. v. Boney Servs.,
26 Inc., 127 F.3d 821, 826 (9th Cir. 1997) (applying the Supreme Court's
27 ruling in Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994), a copyright
28 case, to trademark cases). As discussed above, "[g]enerally, a

1 trademark case is exceptional for purposes of an award of attorney's
2 fees [under section 1117(a)] when the infringement is malicious,
3 fraudulent, deliberate, or willful." Stephen W. Boney, Inc., 127 F.3d
4 at 825-26.

5 In articulating what circumstances may qualify as "exceptional,"
6 the Ninth Circuit stated:

7 Bad faith of one of the parties may be part of
8 those exceptional circumstances warranting a fee
9 award under section 35(a). When a plaintiff's
10 case is groundless, unreasonable, vexatious, or
11 pursued in bad faith, it is exceptional, and the
12 district court may award attorneys' fees to the
13 defendant. . . . [A]fter Fogerty, the standard .
14 . . under which bad faith or other malicious
15 conduct satisfies the exceptional circumstances
16 requirement, applies to both prevailing
17 plaintiffs and prevailing defendants seeking
18 attorney's fees under the Lanham Act.

19 Stephen W. Boney, Inc., 127 F.3d at 827 (internal citations and
20 quotations omitted).

21 The length of the Court's discussion of cancellation in its
22 Memorandum of Decision, as well as the Court's prior order
23 suggesting the possibility of cancellation [see Order Denying
24 Plaintiff's Motion for Preliminary Injunction, at 11], make it clear
25 that LL&C did not seek cancellation in bad faith, and Cyclone USA
26 does not suggest otherwise. However, in describing what
27 circumstances may qualify as "exceptional," the Ninth Circuit was
28 careful to note that "the mere absence of bad faith on [the

1 plaintiff's] part does not render [the defendant] ineligible for
2 attorneys fees. While a finding that the losing party has acted in
3 bad faith may provide evidence that the case is exceptional, other
4 exceptional circumstances may warrant a fee award." Stephen W.
5 Boney, Inc., 127 F.3d at 827 (internal citation omitted). Therefore,
6 the Court may award Cyclone USA the attorneys' fees it incurred in
7 defending against LL&C's cancellation counterclaim if other
8 exceptional circumstances warrant such an award.

9 The Lanham Act provides protection for unregistered as well as
10 registered marks. Kendall-Jackson Winery, Ltd. v. E. & J. Gallo
11 Winery, 150 F.3d 1042, 1047 n.7 (9th Cir. 1998) ("Registration is not
12 a prerequisite for protection under § 43(a), but courts look to the
13 general principles qualifying a mark for registration under § 2 when
14 determining whether an unregistered mark is protectable under §
15 43(a).") (internal citations omitted); New West Corp. v. NYM Co. of
16 California, Inc., 595 F.2d 1194, 1198 (9th Cir. 1979) ("To recover for
17 a violation of [section 1125(a)] it is not necessary that a mark or
18 trade-mark be registered."). Therefore, Cyclone USA's trademarks might
19 have been protected even if LL&C had prevailed on its cancellation
20 counterclaim, since section 1125(a) provides statutory protection and
21 the same monetary relief for unregistered trademarks, including awards
22 of treble damages, as it does for registered marks. See Trademark Law
23 Revision Act of 1988; Pub. L. 100-677, 102 Stat 3935 (effective Nov.
24 16, 1989) (adding a reference to § 43(a) to the introductory clause of
25 § 35); 5 J. Thomas McCarthy, Trademarks and Unfair Competition §
26 27:23 (4th ed. 2008) ("Under the 1988 Trademark Law Revision Act, a §
27 43(a) plaintiff can recover all § 35 remedies."). However,
28 cancellation would have increased Cyclone USA's litigation burden

1 significantly, since it would have had to prove validity and ownership
2 in addition to infringement, without the benefit of any presumptions.
3 See Donchez v. Coors Brewing Co., 392 F.3d 1211, 1216 (10th Cir. 2004)
4 (stating that the holder of an unregistered mark has the burden of
5 demonstrating that the work is protectable under section 43(a)); 5 J.
6 Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 27:14
7 (4th ed. 2008).

8 "Under the Lanham Act, an award of attorney's fees is within the
9 district court's discretion." Stephen W. Boney, Inc., 127 F.3d at 825.
10 In finding in favor of Cyclone USA on LL&C's cancellation
11 counterclaim, the Court relied on the incontestable status of the
12 Tornado trademark, and explicitly declined to further address the
13 issue of ownership.³ Cyclone USA's success on LL&C's cancellation
14 counterclaim was central to the success of its own claims under the
15 Lanham Act, including its counterfeiting claims, as to which Cyclone
16 USA is presumptively entitled to an award of attorneys' fees, and as
17 to which the "exceptional case" requirement does not apply. It also
18 was central to Cyclone USA's success on its claims against Sei Kim
19 under the Lanham Act, and on Sei Kim's counterclaim for declaratory
20 relief regarding trademark ownership. Further, some of the

21
22 ³ Specifically, the Court noted:

23 Because the Court has declined to cancel
24 Cyclone USA's incontestable registration of
25 the Tornado trademark, there is a conclusive
26 presumption that Cyclone USA owns that
27 trademark. See 15 U.S.C. § 1115(b). Therefore,
28 further discussion of the ownership of that
trademark is unnecessary. In particular, it
unnecessary to address the framework for
resolving disputes regarding trademark
ownership between manufacturer and distributor
applied in Sengoku Works Ltd. v. RMC Int'l,
Ltd., 96 F.3d 1217, 1220 (9th Cir. 1996).

[Memorandum of Decision, at 76 n.81].

1 counterclaims alleged by LL&C and Sei Kim were predicated at least in
2 part upon Cyclone USA's alleged infringement of LL&C's and Sei Kim's
3 rights in the trademarks which they contended that they owned, but
4 which the Court ultimately found were owned by Cyclone USA.
5 Accordingly, the Court exercises its discretion to award Cyclone USA
6 the attorneys' fees incurred by Ropers Majeski Kohn & Bentley in
7 successfully defending against LL&C's cancellation counterclaim.

8 **5. Apportionment to Non-Lanham Act Claims**

9 This case involved some non-Lanham Act claims. For example,
10 Cyclone USA asserted a breach of contract claim against LL&C, LL&C
11 asserted fraud and breach of contract claims against Cyclone USA, and
12 Cyclone USA and Sei Kim sued each other for breach of contract. In
13 addition, the parties also asserted state law unfair competition
14 claims against one another. Not surprisingly, LL&C argues that
15 apportionment of some of Cyclone USA's attorneys' fees to these claims
16 and counterclaims is warranted. [LL&C's Opposition, at 10-11].

17 The general rule is "[u]nder 15 U.S.C. § 1117(a), attorneys' fees
18 are recoverable only for work performed in connection with claims
19 filed under the Lanham Act." U.S. Structures, Inc. v. J.P. Structures,
20 Inc., 130 F.3d 1185, 1193 (6th Cir. 1997). Notwithstanding this
21 general rule, "in a specific case apportionment might not be required
22 if 'it is impossible to differentiate between work done on claims.'
23 In other words, apportionment or an attempt at apportionment
24 is required unless the court finds the claims are so inextricably
25 intertwined that even an estimated adjustment would be meaningless."
26 Gracie v. Gracie, 217 F.3d 1060, 1069-70 (9th Cir. 2000).

27 That is the situation in this case. Although this case involved
28 a variety of claims, including some as to which Cyclone USA would not

ordinarily be entitled to recover its attorneys' fees under the Lanham Act, a meaningful apportionment would be impossible for at least three reasons. First, although Cyclone USA's Lanham Act claims were the heart of this case, LL&C's cancellation counterclaim, Sei Kim's declaratory relief counterclaim, and LL&C's and Sei Kim's Lanham Act counterclaims were intertwined with Cyclone USA's Lanham Act claims. Second, the inherent interrelationship and factual overlap among Cyclone USA's Lanham Act claims and the non-Lanham Act claims and counterclaims alleged by the parties was substantial. Third, LL&C's and Sei Kim's approach to this case, which involved attempting to use actual or alleged violations of federal or state law by Cyclone USA or Jay Kim as the basis for defenses to Cyclone USA's Lanham Act claims or as support for LL&C's cancellation counterclaim, deepened the inherent interrelationship and overlap among the Lanham Act claims and the non-Lanham Act claims and counterclaims alleged in this case. This strategy made virtually every aspect of Cyclone USA's and Jay Kim's relationship with LL&C and Sei Kim relevant to the Lanham Act claims.

For example, the efforts Cyclone USA devoted to defending some of the non-Lanham Act counterclaims asserted against it by LL&C and Sei Kim contributed to building a factual record warranting rejection of LL&C's cancellation counterclaim and LL&C's and Sei Kim's unclean hands defenses to Cyclone USA's Lanham Act claims. The fact that Cyclone USA did not prevail on every counterclaim does not matter. See generally Hensley v. Eckerhart, 461 U.S. 424, 440 (1983) ("Where a lawsuit consists of related claims, a plaintiff who has won substantial relief should not have his attorney's fees reduced simply because the district court did not adopt each contention raised.");

1 Cabralles v. County of Los Angeles, 935 F.2d 1050, 1052 (9th Cir.
2 1991)("We read Hensley as establishing the general rule that
3 plaintiffs are to be compensated for attorneys' fees incurred for
4 services that contribute to the ultimate victory in the lawsuit.
5 Thus, even if a specific claim fails, the time spent on that claim may
6 be compensable, in full or in part, if it contributed to the success
7 of other claims.").

8 In the circumstances of this case, attempting to allocate
9 attorneys' fees among particular claims would be infeasible.
10 Nevertheless, as discussed below, Cyclone USA has reduced the hours
11 claimed to eliminate time that plainly was devoted only to matters
12 bearing no relationship to the Lanham Act claims. Based on the
13 Court's review of the underlying documentation, imposing a further
14 reduction on this ground would be arbitrary and unrealistic.

15 **6. Reasonableness of Hourly Rates and Time Spent**

16 Attorneys' fee awards ordinarily are calculated using the
17 lodestar method. See Intel Corp. v. Terabyte Int'l, 6 F.3d 614, 622
18 (9th Cir. 1993). "In setting a reasonable attorney's fee, the district
19 court should make specific findings as to the rate and hours it has
20 determined to be reasonable." Gracie, 217 F.3d at 1070 (quoting Frank
21 Music Corp. v. Metro-Goldwyn Mayer, Inc., 886 F.2d 1545, 1557 (9th
22 Cir. 1989)).

23 Overall, the hourly rates requested by Cyclone USA are well below
24 the market rates for similar services. [See Declaration of Timothy L.
25 Skelton, paras. 5, 6, 13]. Even LL&C's expert conceded the rates of
26 Cyclone USA's counsel are reasonable, and did not suggest any
27 reduction. [See Declaration of Andre E. Jardini, para. 21]. Because
28 the Court agrees that the hourly rates requested by Cyclone USA are

1 reasonable, it adopts them.

2 Cyclone USA provided copious documentation substantiating the
3 number of hours worked for which attorneys' fees are claimed. The
4 documentation is of sufficient quality and quantity to allow the Court
5 to scrutinize work performed and the hours expended. The Court has
6 reviewed those records for the purpose of determining whether the
7 number of hours claimed is reasonable.

8 Cyclone USA requests attorneys' fees in the amount of \$148,624
9 incurred for the services of Darin Dominguez, a sole practitioner who
10 represented Cyclone USA and Jay Kim for many years, as well as the
11 services of Michael Murphy, Mr. Dominguez's paralegal. [Cyclone USA's
12 Reply, at 16]. LL&C contends that Mr. Dominguez is not entitled to
13 compensation for his services. [LL&C's Opposition, at 16-17].

14 As Cyclone USA acknowledges, "Mr. Dominguez does not have
15 expertise in trademark litigation," which is why he ultimately looked
16 to the Arent Fox firm, and later the Ropers, Majeski, Kohn & Bentley
17 firm, to take a lead role in the case. [Declaration of Mark A.
18 Schadrack, para. 20]. In addition, Cyclone USA maintains that Mr.
19 Dominguez "provided valuable assistance" and "critical support with
20 respect to preparation of witnesses for depositions and trial...."
21 [Supplemental Declaration of Mark A. Schadrack, paras. 3, 4]. The
22 Court agrees. Neither the fact that Mr. Dominguez was wise enough to
23 associate counsel with trademark expertise when the dispute escalated,
24 nor the fact that he remained involved to help when he could, thereby
25 enabling other counsel to draw upon his longer-term relationship with
26 Cyclone USA and his familiarity with Cyclone USA's business and its
27 relationships with LL&C and Sei Kim (which likely improved the overall
28 efficiency of Cyclone USA's legal team), suggests that the hours he

1 worked were unproductive.

2 On the other hand, Cyclone USA has substantially reduced the
3 attorneys fees sought for work performed by Mr. Dominguez, dropping it
4 from \$206,537 to \$148,624 (a decrease of approximately 28 percent).
5 [Cyclone USA's Reply, at 8-9, 16]. In the circumstances, the Court
6 concludes that the adjustment Cyclone USA has made is sufficient, and
7 that the attorneys' fees it seeks in respect of the work performed by
8 Messrs. Dominguez and Murphy are reasonable.

9 The analysis and opinions provided by LL&C's expert regarding the
10 attorneys fees, Andre E. Jardini, have been carefully considered.
11 Although Mr. Jardini's background and experience sound impressive, the
12 quality of his performance in this case has not measured up. His
13 opinion is rejected for several reasons, of which the following are
14 merely examples.

15 First, Mr. Jardini made numerous errors. Some of these were
16 simply mistakes of a clerical nature, perhaps understandable in light
17 of the complexity of this case. Others, however, reflect either an
18 unfamiliarity with trademark litigation or a lack of understanding
19 concerning the interrelationships among the claims, counterclaims, and
20 defenses involved in this case and the manner in which this case was
21 litigated. Whether this is entirely his fault is unclear.
22 Nevertheless, it indicates that the foundation for his opinions is
23 unsound. Since many of Mr. Jardini's errors already are amply
24 documented in the record, they need not be reiterated here. [See
25 Cyclone USA's Reply at 6-7, 9-15].

26 Second, while Mr. Jardini's concern about the inefficiency of
27 numerous timekeepers may be legitimate in some cases [see Declaration
28 of Andre E. Jardini, para. 36], the use of temporarily assigned

1 attorneys to perform spot legal research or other discrete tasks, as
2 apparently was done in this case, does not necessarily warrant a
3 reduction. Further, when a complex case lasts for several years and
4 is handled by more than one law firm, personnel transitions are to be
5 expected. This is simply an unavoidable fact of life in today's legal
6 marketplace, not an indication of irrational or wasteful staffing
7 practices.

8 Third, the conclusion reached by Mr. Jardini - that Cyclone USA
9 should recover merely \$128,924.50 in attorneys' fees [Declaration of
10 Andre E. Jardini, para. 74] - is ridiculous on its face for a hard-
11 fought case of the duration, magnitude, and complexity of this one.
12 The mere fact that his analysis could lead him to such a preposterous
13 conclusion demonstrates that Mr. Jardini's opinion is deeply flawed
14 and deserves little, if any, weight.

15 Despite the flaws in Mr. Jardini's analysis, and notwithstanding
16 the absurd conclusion he reached, Cyclone USA examined Mr. Jardini's
17 criticisms of Cyclone USA's attorneys' fees claim and reduced the
18 amount claimed in an effort to take some of those criticisms into
19 account. [Cyclone USA's Reply, at 16; Supplemental Declaration of Mark
20 A. Schadrack, paras. 3-5]. Cyclone USA also attempted to segregate
21 the attorneys' fees attributable to its Lanham Act claims from work
22 performed in respect of other claims or in respect of defenses to non-
23 Lanham Act counterclaims, such as LL&C's and Sei Kim's breach of
24 contract and fraud claims, and to seek recovery only for the former
25 and not for the latter. [Cyclone USA's Reply, at 16; Supplemental
26 Declaration of Mark A. Schadrack, paras. 6; Declaration of Timothy L.
27 Skelton, para. 14]. In this case, that was a difficult endeavor
28 because, as previously discussed, the claims and counterclaims

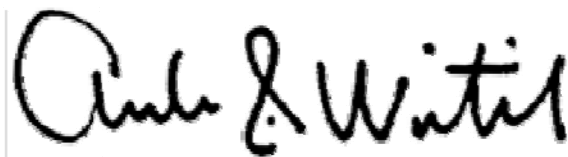
1 asserted by the parties were inherently deeply intertwined and the
2 strategy of LL&C and Sei Kim, which involved attempting to use Cyclone
3 USA's and Jay Kim's actual or alleged violations of state and federal
4 law - including alleged breach of contract, fraud, and false patent
5 making - as defenses to Cyclone USA's Lanham Act claims and as support
6 for LL&C's cancellation counterclaim and Sei Kim's declaratory
7 judgment counterclaim, made meaningful segregation challenging.
8 Nevertheless, Cyclone USA attempted to do what it could in the
9 circumstances, and the Court has not identified any instance in which
10 it should have gone even further.

11 In seeking an award of attorneys' fees, "[c]ounsel for the
12 prevailing party should make a good faith effort to exclude from a fee
13 request hours that are excessive, redundant, or otherwise unnecessary,
14 just as a lawyer in private practice ethically is obligated to exclude
15 such hours from his fee submission." Hensley, 461 U.S. 424 at 434.
16 Cyclone USA has fulfilled that obligation. Cyclone USA made a
17 conscientious effort to reduce the amount of its attorneys' fees claim
18 by excluding time that is arguably inadequately documented or
19 described, duplicative, or attributable to matters meaningfully
20 segregable from its Lanham Act claims. The Court does not believe
21 that further reductions are either necessary or justifiable. After
22 these deductions, which resulted a decrease of \$360,205 (or roughly 15
23 percent) in the amount of attorneys' fees initially sought by Cyclone
24 USA [see Cyclone USA's Reply, at 16], the number of hours ultimately
25 claimed by Cyclone USA is reasonable in light of the nature,
26 complexity, and duration of this bitterly contested case.

Conclusion

For the foregoing reasons, the amount of attorneys' fees awarded in the October 28, 2009 order is appropriate.

DATED: May 24, 2010

A handwritten signature in black ink, appearing to read "Andrew J. Wistrich". The signature is written in a cursive, flowing style.

ANDREW J. WISTRICH
United States Magistrate Judge